

Chapter 2

GENERAL DISCUSSION OF ECONOMIC ISSUES

The main objective of this chapter is to convey some economic concepts to help citizens of the APES region make the best possible decisions about managing the APES system, given the present level of knowledge about the ecological and economic relationships that regulate it.

The trade-offs of managing environmental resources

The proposals of the CCMP present individuals, groups and society as a whole with certain trade-offs. Few people would doubt that, if implemented, the proposals in the Plan would generate certain benefits such as cleaner water or more healthy fisheries. And there is little doubt that these actions will create some costs to taxpayers (locally, statewide and nationwide), businesses, and individuals.

The question is whether or not the benefits are worth the costs. Unfortunately, it is difficult to judge the benefits of things like environmental quality relative to the costs of governmental programs for environmental protection. A large part of this problem is that benefits and costs vary from person to person and from group to group, depending in part on their own individual preferences and tastes. Those for whom the good aspects of a proposal outweigh the bad (the "winners") will consider themselves better-off, while those for whom the bad outweighs the good (the "losers") will be worse-off. How do we weigh the overall benefits to society of a program against the overall costs to society? How do we as a society balance the interests of the winners against those of the losers in a fair way?

Economics provides a consistent, logical framework for addressing these issues by developing models of how humans normally make trade-offs such as those faced in the APES region. When the underlying assumptions and models are appropriate to the application, economic analysis can clarify the nature and magnitude of the trade-offs facing individuals, groups and society as a whole.

Typically, there are several alternative projects or policies that a community or a society could turn to in order to address a perceived problem or goal. From among the various alternatives, a policy (or project) is said to be "best" from the economy's (i.e., society's) perspective when that policy's net benefits (benefits to society minus costs to society) are greater than all other alternatives. It should be pointed out, however, that measuring the benefits and costs to society may not address many equity and distributional issues raised in the CCMP. Specifically, measuring net social benefits alone does not address trade-offs between different groups within a society - landowners versus non-landowners, fishermen versus farmers, coastal communities versus inland communities, the current population versus future generations.